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Chapter 11 Trustee

7  
8 **UNITED STATES BANKRUPTCY COURT**  
9 **CENTRAL DISTRICT OF CALIFORNIA**  
10 **NORTHERN DIVISION**

11 In re  
12 HVI CAT CANYON, INC.,  
13 Debtor.

Case No.: 9:19-bk-11573-MB

Chapter 11

**NOTICE OF MOTION AND MOTION OF  
CHAPTER 11 TRUSTEE FOR ORDER (1)  
ESTABLISHING PROCEDURES FOR  
THE PAYMENT OF INTERIM  
COMPENSATION AND  
REIMBURSEMENT OF EXPENSES (11  
U.S.C. §§ 105(a) and 331), AND  
AUTHORIZING PAYMENT ON A  
MONTHLY BASIS (11 U.S.C. § 328); AND  
MEMORANDUM OF POINTS AND  
AUTHORITIES AND DECLARATION OF  
MICHAEL A. MCCONNELL**

[No Hearing Required]

21  
22 **TO THE HONORABLE MARTIN BARASH, UNITED STATES BANKRUPTCY JUDGE,**  
23 **AND INTERESTED PARTIES:**

24 PLEASE TAKE NOTICE THAT Michael A. McConnell, the Chapter 11 trustee (the  
25 “Trustee” or “applicant”) of the estate of HVI Cat Canyon, Inc. (the “debtor”), will and hereby does  
26 move the Court for an order (1) establishing a procedure for monthly payments of compensation  
27 and reimbursement of expenses incurred by the Trustee and his professionals from October 21,  
28 2019 (11 U.S.C. §§ 105(a) and 331), and (2) authorizing the Trustee to pay the estate’s

professionals on a monthly basis (11 U.S.C. §§ 105(a), 328 and 330) effective October 21, 2019.

The motion is based upon this notice of motion, this motion, the Declaration of Michael A. McConnell, the complete files and records of this case, and such other evidentiary matters as may be presented to the Court.

**PLEASE TAKE FURTHER NOTICE** that, pursuant to Local Bankruptcy Rule 9013 1(o)(1)(A)(ii), any objection and request for hearing must be in writing and must be filed and served within fourteen (14) days after of the date of mailing of this Notice, plus an additional 3 days if this notice of motion was served by mail or pursuant to Fed. R. Civ. P. 5(b)(2)(D) or (F). The response or opposition to the application shall be filed with the Bankruptcy Court and served on the United States Trustee, at 1415 State Street, Suite 148, Santa Barbara, CA 93101, and counsel for the Trustee, Eric P. Israel, at 1901 Avenue of the Stars, Suite 450, Los Angeles, CA 90067.

If you fail to file a written response within fourteen days of the date of the service of this notice, plus an additional 3 days if this notice of motion was served by mail or pursuant to Fed. R. Civ. P. 5(b)(2)(D) or (F), the Court may treat such failure as a waiver of your right to oppose the application and may grant the requested relief.

DATED: November 14, 2019

DANNING, GILL, ISRAEL & KRASNOFF, LLP

By: 

ERIC P. ISRAEL

Proposed Attorneys for Michael A. McConnell,  
Chapter 11 Trustee

Date of Mailing: November 14, 2019

**MEMORANDUM OF POINTS AND AUTHORITIES**

**I.**

**INTRODUCTION**

Section 331 of the Bankruptcy Code provides that an estate's professionals are entitled to submit applications for interim compensation and reimbursement of expenses not more often than every 120 days. Given the demanding pace and scope of services required in larger Chapter 11 cases, courts routinely establish procedures pursuant to which professionals may receive some compensation, and have their expenses reimbursed, on a monthly basis. Such procedures allow debtors, trustees and interested parties to better monitor professionals' fees on an ongoing basis, allow estates to maintain a more level cash flow, and promote efficient cash management. Such procedures also mitigate the burden on trustees and professionals who otherwise are required to wait an extended period of time to receive payment for their valuable services. For these reasons, and especially so that he can better monitor the estate's cash flow, the Trustee is requesting that the Court establish such procedures in this case for fees and expenses incurred by the Trustee and his professionals from October 21, 2019.

**II.**

**STATEMENT OF FACTS**

**A. BANKRUPTCY BACKGROUND**

On July 25, 2019 (the "Petition Date"), HVI Cat Canyon, Inc. (the "Debtor"), filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Code"). Initially, the Debtor continued to operate its business as debtor in possession of the estate, exercising the rights and powers of a trustee. *See* 11 U.S.C. § 1107(a).

On or about August 9, 2019, the U.S. Trustee established an official committee of unsecured creditors (the "Committee").

On or about October 16, 2019, the Court entered an order directing the Office of the United States Trustee to appoint a Chapter 11 trustee. Michael A. McConnell accepted appointment as the Chapter 11 trustee (the "Trustee"), and the Court entered an order approving his appointment.

1 **B. THE TRUSTEE AND PROFESSIONALS TO BE EMPLOYED BY THE TRUSTEE**

2 **1. The Debtor's Employment of General Bankruptcy Counsel**

3 On or about November 11, 2019, the Trustee filed an *Application by Debtor in Possession*  
4 *for Authority to Employ Danning, Gill, Israel & Krasnoff, LLP as General Bankruptcy Counsel*  
5 (the "Danning-Gill Employment Application") (*docket no. 494*). The Trustee seeks authority to  
6 employ Danning, Gill, Israel & Krasnoff, LLP ("Danning-Gill") pursuant to § 327 of the Code and  
7 pay Danning-Gill monthly.

8  
9 **2. The Debtor's Application for Authority to Employ an Accountant**

10 On or about November 11, 2019, the Trustee filed an *Application by Trustee for Authority*  
11 *to Employ CR3, LLC as his exclusive restructuring/financial advisor (docket no. 495)*. The Trustee  
12 seeks authority to employ CR3, LLC ("CR3") pursuant to § 327 of the Code and pay CR3  
13 monthly.

14  
15 **3. The Trustee and His Staff**

16 Pursuant to § 326(a) of the Code, the Trustee is entitled to reasonable compensation for his  
17 services, in an amount not to exceed the amount determined in accordance with the fee schedule set  
18 forth in § 326(a). The Trustee will charge the estate for his and his staff's services on an hourly-fee  
19 basis, subject to the statutory cap on compensation. In awarding the Trustee compensation, the  
20 Court will consider all relevant factors. See 11 U.S.C. § 330(a)(3). The Trustee will also request  
21 reimbursement of expenses.

22  
23 **4. The Committee Retains Counsel**

24 On or about September 20, 2019, the Committee filed an application to employ general  
25 counsel (*docket no. 214*). The hearing thereon is set for November 12, 2019, at 11:00 a.m.

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1 would be imprudent to make the payments permitted under this procedure, the Trustee may defer  
2 making payments to professionals until such time that payments are ordered to be made by the  
3 Court in connection with noticed fee applications.

4       **2. Scope.** These procedures apply only to requests for payment of fees and expenses  
5 incurred from October 21, 2019. Requests for allowance and payment of fees and expenses  
6 incurred prior to October 21, 2019, must be sought in accordance with §§ 330 and 331 of the Code,  
7 and applicable federal and local bankruptcy rules.

8       **3. Professionals Entitled to Seek Payments Pursuant to These Procedures.** The  
9 following professionals may request payment of compensation and expenses in accordance with  
10 these procedures:

- 11               (a) the Trustee;
- 12               (b) Danning-Gill (the Trustee's general bankruptcy counsel);
- 13               (c) CR3 Partners, LLC (the Trustee's restructuring/financial advisor);
- 14               (d) the Trustee's accountant;
- 15               (e) professionals employed in the future by the Trustee, with respect to which  
16 the Court's order approving such employment authorizes the professional to seek compensation  
17 and reimbursement of expenses pursuant to these procedures; and
- 18               (f) Counsel for the Committee.

19       **4. Professionals Not Entitled to Seek Compensation and Reimbursement of**  
20 **Expenses Pursuant to These Procedures.** The following professionals may *not* request payment  
21 of compensation and reimbursement of expenses in accordance with these procedures:

- 22               (a) Weltman & Moskowitz, LLP (the Debtor-in-Possession's former 's general  
23 bankruptcy counsel);
- 24               (b) Conway & Gibson, LLP (former financial advisors to Committee); and
- 25               (b) professionals employed "pursuant to 11 U.S.C. § 328."<sup>1</sup>

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27 <sup>1</sup> LBR 2014-1 provides that an application seeking approval of employment of a professional "must  
28 specify ambiguously whether the professional seeks compensation pursuant to 11 U.S.C. § 328 or

(footnote continued...)

1       **5.     Deadline for Filing and Serving Monthly Statements.** On or before the 20th day  
2 of each month following the month for which compensation and reimbursement of expenses is  
3 sought, each professional seeking fees and reimbursement of expenses from the estate must file and  
4 serve a monthly statement with the Court. The Statement shall be served on

5       **6.     Contents.** Each monthly statement must include the following information:

- 6               (a)     the total amount of fees for which compensation is sought;  
7               (b)     the total amount of expenses for which reimbursement is sought;  
8               (c)     the names, hourly rates, total number of hours billed, and total amount of  
9 fees incurred by each individual providing services for which compensation is sought;  
10              (d)     a detailed listing of all time spent by the professional on matters for which  
11 compensation is sought;<sup>2</sup> and  
12              (e)     a summary listing of all expenses, by category (*e.g.*, photocopy costs,  
13 facsimile charges, travel, messenger and computer research), for which reimbursement is sought.

14       **7.     Objections.** Any objection to a monthly statement must be filed no later than 14  
15 days after the date on which the monthly statement is filed (the “Objection Deadline”). The  
16 objection must (a) be in writing, (b) set forth the precise nature of the objection, the grounds  
17 therefore, and the amount of fees and/or expenses to which the objection applies, and (c) be filed  
18 with the Court and served on the professional so that it is received by the professional on or before  
19 the Objection Deadline. A “blanket” or general objection to a monthly statement will be deemed to  
20 be a nullity and will not trigger the provisions of paragraph 9 below. A “joinder” to an objection  
21 will also be deemed a nullity if the joinder is not filed and served on or before the Objection Date.

22       **8.     Interim Payment Authorized if No Objection.** If no timely objection is filed with  
23 respect to a monthly statement, the Trustee may pay the professional 80% of the fees and expenses

24 \_\_\_\_\_  
25 (continued)

26 11 U.S.C. § 330.” Generally, in local practice, professionals employed “pursuant to § 328” are  
27 those entitled to compensation on a fixed- or percentage-fee basis, and professionals employed  
28 “pursuant to § 330” are those entitled to compensation on an hourly-fee basis.

<sup>2</sup> See LBR 2016-1(a)(1)(E).



1 for which payment was sought. Such payments will be made on an interim basis and will be  
2 subject to the filing of interim and final fee applications.

3       **9. Procedure If Objection Is Filed.** If a timely objection is filed with respect to a  
4 monthly statement, the objecting party and the applicable professional may attempt to resolve the  
5 objection on a consensual basis. If the parties do not reach a consensual resolution of the objection,  
6 the professional may either (a) set the matter for hearing on at least 14 days' notice to the objecting  
7 party, or (b) forego payment of the disputed amount and seek approval of such disputed amount in  
8 connection with its next interim, or final, fee application.

9       **10. Interim Payment of Amounts to Which No Objection is Made.** Pending  
10 resolution of any timely objection, the Trustee may pay the professional the lesser of (a) 80% of the  
11 fees and 100% of the expenses requested in the monthly statement, and (b) the aggregate amount of  
12 fees and expenses requested in the monthly statement as to which no timely objection was made.

13       **11. Fee Applications Required.** In accordance with § 331 and applicable rules and  
14 guidelines, each professional will file and serve (in accordance with the Bankruptcy Code and  
15 federal and local rules) an application for Court approval of interim compensation (including the  
16 20% held back pursuant to paragraphs 9 and 10 above) and reimbursement of expenses not less  
17 frequently than every 120 days. Any professional who fails to file an application for interim  
18 compensation when due will be ineligible to receive further monthly payments of fees and  
19 expenses pursuant to the filing of monthly statements as provided above, until such professional  
20 submits an application for interim compensation which is then ruled upon by the Court.

21       **12. Effect of Objection on Future Fee Requests.** The pendency of an objection to  
22 payment of compensation or expenses requested by a professional in a particular monthly statement  
23 or interim fee application will not prevent such professional from receiving payment of fees and  
24 expenses pursuant to future monthly statements served in accordance with these procedures, except  
25 as otherwise ordered by the Court.

26       **13. No Waiver of Objections.** Neither the payment of, nor the failure of any party to  
27 object to, fees and expenses requested in a monthly statement will in any way act as a waiver of the  
28 right to later object to such fees and expenses, or otherwise bind any party or the Court with respect



1 to the subsequent consideration of the interim or final allowance of fees and expenses of any  
2 professional.

4 IV.

5 ARGUMENT

6 A. THE PROPOSED INTERIM FEE PROCEDURE SHOULD BE APPROVED

7 Section 331 of the Code provides for the payment of interim compensation to professionals  
8 retained by trustees, debtors in possession, and official committees. In enacting this and related  
9 provisions, Congress adopted the principle that “[p]rofessionals in bankruptcy cases are entitled to  
10 be paid on a comparable basis to other privately retained counsel, both in terms of timeliness and  
11 amount of payment.” *In re Commercial Consortium of Cal.*, 135 B.R. 120, 123 (Bankr. C.D. Cal.  
12 1991) (citing *Burgess v. Klenske (In re Monoa Fin. Co., Inc.)*, 853 F.2d 687, 690 (9th Cir. 1988));  
13 *In re Nucorp Energy, Inc.*, 764 F.2d 655, 658-59 (9th Cir. 1985); *First Nat’l Bank of Chicago v.*  
14 *Comm. of Creditors Holding Unsecured Claims (In re Powerine Oil Co.)*, 71 B.R. 767, 770 (9th  
15 Cir. BAP 1986).

16 The Bankruptcy Appellate Panel for the Ninth Circuit has recognized that interim payments  
17 for professionals on a monthly basis are appropriate in large cases. *See U.S. Trustee v. Knudsen*  
18 *Corp. (In re Knudsen Corp.)*, 84 B.R. 668 (B.A.P. 9th Cir. 1988). In *Knudsen*, the BAP observed  
19 that

20 the problem, arising especially in large cases, is that when counsel  
21 must wait an extended period for payment, counsel is essentially  
22 compelled to finance the reorganization. This result is improper and  
23 may discourage qualified practitioners from participating in  
bankruptcy cases; a result that is clearly contrary to Congressional  
intent.

24 *Id.* at 672. Monthly payments to professionals may be appropriate without prior court approval so  
25 long as they are made pursuant to a procedure that provides the opportunity for subsequent review  
26 by the court. *Id.* at 671-72. The procedure proposed in this motion provides ample opportunity for  
27 such review.

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1 Furthermore, in *Knudsen* the BAP identified four factors a court may consider when  
2 determining whether to adopt procedures such as those proposed by the Trustee in this case: (1) the  
3 case is an unusually large one in which an exceptionally large amount of fees accrue each month;  
4 (2) the court is satisfied that waiting an extended period of time for payment will place an undue  
5 hardship on professionals; (3) the court is satisfied that the professionals will be able to respond to  
6 any subsequent reassessment of fees paid pursuant to the procedures; and (4) the procedures are the  
7 subject of a noticed hearing prior to any payment thereunder. *Id.* at 672-73.

8 First, although this case is not the size of *Enron* or *Kmart*, it is sufficiently large to warrant  
9 the approval of procedures outlined above. The Trustee and his staff, as well as his professionals,  
10 are providing significant services to the estate, and advancing significant costs, and are expected to  
11 do so going forward until the Debtor's business is sold or may be reorganized with a Chapter 11  
12 plan confirmed. Second, the Trustee, his attorneys, and his restructuring/financial advisor did not  
13 receive any retainers upon their appointment or retention; as such, requiring the affected  
14 professionals to delay their receipt of potentially substantial sums will cause them to suffer an  
15 unreasonable and unnecessary hardship. Third, the proposed procedure provides for a 20% fee  
16 holdback (one of the methods suggested by the BAP in *Knudsen*) to ensure that each affected  
17 professional will be able to address any reassessment of fees or costs paid prior to interim or final  
18 allowance. Fourth, the proposed fee procedure is the subject of a noticed motion and a hearing, to  
19 be heard before the Trustee makes any payments pursuant thereto.

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1 Although not expressly identified by the BAP in *Knudsen*, there are at least two other  
2 factors warranting approval of the Trustee's proposed procedures. First, Court has approved a  
3 borrowing proposal from UBS that includes a carve-out for professionals. The budget is attached  
4 as Exhibit "1" and incorporated herein by this reference. It is anticipated that future budgets will  
5 similarly provide reserves for professionals. Because those funds are specifically set aside for the  
6 Trustee and his professionals, and Committee counsel, neither the debtor's business nor creditors  
7 will be prejudiced in any way. Second, paying the Trustee and professionals on a monthly basis  
8 will allow the Trustee to better monitor the fees and costs being incurred by the estate, and manage  
9 the estate's monthly cash flow to help ensure that the estate is administered as efficiently as  
10 possible.

11  
12 V.

13 CONCLUSION

14 For the foregoing reasons, the Trustee requests that the Court enter an order (1) establishing  
15 a procedure for monthly payments of compensation and reimbursement of expenses incurred by the  
16 Trustee and his professionals, and counsel for the Committee, from October 21, 2019, and  
17 (2) authorizing the Trustee to pay 80% of such fees and costs in accord with the procedures above.  
18 The Trustee also requests such further relief as the Court deems just and proper.

19  
20 DATED: November 13, 2019

DANNING, GILL, ISRAEL & KRASNOFF, LLP

21  
22 By: 

23 ERIC P. ISRAEL

24 Proposed Attorneys for Michael A. McConnell,  
25 Chapter 11 Trustee  
26  
27  
28

**DECLARATION OF MICHAEL A. MCCONNELL**

I, Michael A. McConnell , declare and state as follows:

1. I am the Chapter 11 trustee of the estate of HVI Cat Canyon, Inc. (the “Debtor”).

2. I have personal knowledge of the facts in this declaration and, if called as a witness, could testify competently to these facts.

3. This declaration is offered in support of the foregoing motion for an order (1) establishing procedures for the payment of interim compensation and reimbursement of expenses, and (2) authorizing me to pay such fees and costs on a monthly basis (the “Motion”), which I have read.

4. Thus far, I have employed, or are in the process of employing, or intend to seek authority to employ the following: Danning, Gill, Israel & Krasnoff, LLP, as my general counsel and CR3, LLP as my restructuring/financial advisor and an accountant for the purpose of providing general tax advice and preparing the estate’s income tax returns. I anticipate that I may determine that it is necessary or appropriate to hire other or additional professionals to represent or counsel me in matters involving the estate. Because of the number of professionals required, and the scope of services that will require be provided by them, I anticipate that the estate will incur substantial professional fees and costs.

5. For the reasons set forth in the Motion, I am requesting that the Court approve my proposed procedures for monthly interim payments of compensation and reimbursement of actual expenses incurred by me and my professionals, and counsel for the Committee. I understand that such procedures are often utilized in large bankruptcy cases in which professionals will be required to incur substantial fees and expenses, and where the non-payment of fees and expenses on a monthly basis will cause a hardship to professionals. I believe that this is such a case.

6. UBS, LLC (“UBS”) holds the first lien on all of the Debtor’s assets in this case. Pursuant to the budget filed on or about November 7, 2019 (*docket no. 474*), UBS has loaned me money and agreed to payments into a monthly reserve for the Trustee and his professionals, and for

1 counsel for the Committee. I am only proposing monthly payments in this case to the extent of  
2 funds carved-out by the lender and designated for that purpose, or free and clear funds, if any.

3 7. I also strongly believe that it is appropriate to adopt the procedures proposed in the  
4 Motion so that I can better monitor the professional fees and costs being incurred by the estate, and  
5 manage the estate's monthly cash flow. I believe this will assist me in ensuring that the estate is  
6 administered as efficiently as possible.

7 8. I am requesting to be paid monthly, on an interim basis, based upon 80% of my  
8 hourly rate of \$650/hour, plus expenses, the same as my professionals. I believe that payments on  
9 account of fees under this framework will be less than the statutory cap provided in 11 U.S.C. §  
10 326, but I understand that ultimately my compensation will be based upon disbursements pursuant  
11 to section 326. The proposed budget with UBS provides for \$25k per week for fees and expenses  
12 of the Trustee. I will follow the same procedures as other professionals to seek monthly payments  
13 by Professional Fee Statement.

14  
15 I declare under penalty of perjury under the laws of the United States of America that the  
16 foregoing is true and correct.

17 Executed on November 11<sup>th</sup>, 2019, at Los Angeles, California.

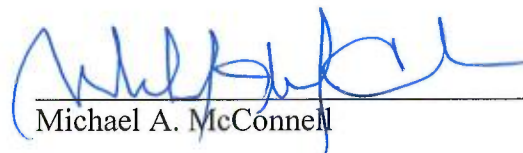
18  
19   
20 Michael A. McConnell

EXHIBIT 1



Notes	HVI CAT CANYON INC. weeks 14-18 budget week starting	Forecast Week 14 28-Oct-19	Forecast Week 15 4-Nov-19	Forecast Week 16 11-Nov-19	Forecast Week 17 18-Nov-19	Forecast Week 18 25-Nov-19	TOTAL
		36,784					
1	Beginning Cash Balance						36,784
2	Cash Inflows						1,472,858
3	SMV		12,000		1,450,858		49,917
	Redu				49,917		58,155
	Belridge				58,155		1,580,931
	Total Cash Inflows		12,000		1,568,931		(259,562)
4	Royalties		(118,392)		(141,171)		(54,838)
5	Escrow/Royalties		(27,590)		(27,148)		1,266,530
	Total Net Cash Inflows		(134,081)		1,400,611		
6	Cash Outflows						
7	Operating Expenses						152,000
8	Payroll Checks	76,000		29,000	76,000	29,000	86,763
9	Payroll Taxes	2,011			1,006		3,017
10	Garnishment & Child Support	75,634					75,634
11	Surface Rents	9,008			9,008		18,015
12	Consultants	2,500			2,000		4,500
13	Phones	30,000			170,000		200,000
	Power PG&E	20,000					20,000
	Power SoCal Edison	2,100				2,100	4,200
	Waste Management	1,000		2,000			3,000
	Water	75		75			225
	Southern Cal Gas	1,100			1,500		2,600
	Portable Restrooms			500			500
	Alarms				250		250
	Cafeteria				250		250
14	Copies	10,000	5,000		5,000	5,000	25,000
15	Chemicals	25,000	10,000		10,000	10,000	55,000
16	Pumps	25,000	12,500		12,500	12,500	62,500
17	Gasoline				150,000		150,000
18	Transportation				56,000		56,000
19	Vacuum Trucks				575,000		575,000
	LCR						

Notes	HMI CAT CANYON INC. weeks 14-18 budget week starting	Forecast					TOTAL
		Week 14 28-Oct-19	Week 15 4-Nov-19	Week 16 11-Nov-19	Week 17 18-Nov-19	Week 18 25-Nov-19	
20	Electricians		10,000	5,000	10,000	5,000	30,000
21	Welders		5,000	2,500	2,500	2,500	12,500
22	Supplies (Belts-Parts)		2,000	1,500	1,500	1,500	6,500
23	Parts (Compressor, Pipe, others)		5,000	5,000	5,000	5,000	20,000
24	Clean Chemical towels		3,000	1,500	1,500	1,500	7,500
25	Vehicle maintenance		16,000	-	8,000	-	24,000
26	Drink Water		150	-	150	-	300
27	Weed abatement		15,000	10,000	10,000	10,000	45,000
28	Well Analysis		3,000	-	3,000	-	6,000
29	Compliance		25,000	-	25,000	-	50,000
30	Fire Department		-	-	-	-	-
31	APCD		2,000	2,000	2,000	2,000	8,000
32	SBP - APCD		-	-	146,436	-	146,436
33	SBP - P&D		-	-	159,843	-	159,843
34	SBP - FD		-	-	16,440	-	16,440
35	SBP - EHS		-	-	10,475	-	10,475
36	SBP - Tax		-	-	-	-	-
37	Escrow - Surface Rents		7,500	-	-	-	7,500
38	Netherland and Sewell Reserve Report		-	-	-	25,000	25,000
39	Total Operating Expenses	28,763	373,078	86,575	1,470,357	111,475	2,069,948
40	G&A Expenses						
41	Bank Charges & fees	100	100	100	100	100	500
42	Insurances	-	9,000	9,000	19,000	-	37,000
43	Chapter 11 Trustee Professionals	228,834	108,894	108,894	108,894	108,894	664,410
44	Unsecured Creditor Committee Professionals	-	-	-	-	25,000	25,000
45	U.S. Trustee Payment	-	25,000	-	-	-	25,000
46	Backoffice & Administrative	-	-	-	156,000	-	156,000
47	Interest	-	-	-	-	-	-
48	Total G&A	228,934	142,994	117,994	283,994	133,994	907,910
49	Health and Safety						
50	SMV Health and Safety	-	28,000	88,000	56,000	16,000	188,000
51	Beiridge Health and Safety	-	4,500	5,000	20,000	3,000	32,500

Notes	HVI CAT CANYON INC. Weeks 14-18 budget week starting	Forecast Week 14 28-Oct-19	Forecast Week 15 4-Nov-19	Forecast Week 16 11-Nov-19	Forecast Week 17 18-Nov-19	Forecast Week 18 25-Nov-19	TOTAL
44	Redu Health and Safety		31,047	5,000	15,000	40,000	90,047
	Total Health and Safety		63,547	95,000	92,000	59,000	310,547
45	Total Cash Outflows	257,697	579,618	300,569	1,846,351	304,169	3,288,405
	Net Cash Flow	(257,697)	(713,699)	(300,569)	(445,740)	(304,169)	(2,021,875)
	Beginning Cash Balance	36,784					36,784
	Net Cash Flow	(257,697)	(713,699)	(300,569)	(445,740)	(304,169)	(2,021,875)
	Net Borrowing/(Pay Down)	220,913	713,699	300,569	445,740	304,169	1,985,091
	Ending Cash Balance						
46	Loan Balance	220,913	934,613	1,235,182	1,680,922	1,985,091	1,985,091
1	Book Bank Balance Reconciliation						
	Starting Balance 10/24/19	18,022					
	Transfer for net amount for Sept Revenue	23,810					
	Transfer #1 against October Revenue	60,000					
	Transfer #2 against October Revenue	20,000					
	Balance as of 10/25/19	121,832					
	Total Check Disbursements on 10/25/19	85,048					
	Net Available book balance 10/28/19	36,784					
2	Forecast dependent on actual volume of delivered barrels, price and gravity adjustments. The price per barrel is calculated for Santa Maria Valley using the average price per barrel posted by Chevron, Union 76, Exxon and Shell for Midway Sunset crude less \$7. The price per barrel for Redu is calculated using the average price per barrel posted by the same 4 corporations for Buena Vista crude less \$5.75. The price per barrel for Belridge is calculated using the average price per barrel posted by the same 4 corporations for Buena Vista crude less \$0.75. All pricing is subject to adjustments based upon the gravity of the oil produced. The prior month's revenue is collected on the 20th of the following month. See the October 2019 Revenue Projection schedule for a detailed build up of the forecasted revenue.						
3	Affiliate California Asphalt Production, Inc. advanced \$80k of the forecasted revenue for October to HVI in week 13 and an additional \$12k in week 15 to cover a surface lease payment to Bolisseranc.						



Notes	HVI CAT CANYON INC. weeks 14-18 budget Week starting	Forecast					TOTAL
		Week 14 28-Oct-19	Week 15 4-Nov-19	Week 16 11-Nov-19	Week 17 18-Nov-19	Week 18 25-Nov-19	
4							
5	In aggregate, monthly royalties are approximately 13% of production which is approximately 1 month's revenue less the LCR shipments. Escrow Royalties are based upon an insider's 2.5% overriding royalty on 1 month's production which is approximately 1 month's revenue less the LCR.						
6	Due to cash flow constraints in Week 14, the majority of forecasted disbursements for the week were rolled into the forecasted disbursements for week 15.						
7	BI-weekly payroll for HVI's 41 employees, including insider Alex Dimitrijevic's compensation that, as the President and CEO of HVI, is subject to a 15 day objection period prior to disbursement. Schedule of payroll taxes due to State and Federal Taxing Authorities due on week 13:						
8							
9	Surface Rent Sub schedule Surface Lease Owner: Boisserant Buganko Medema (3/2) Thomson (3/4) [McLaughlin (1/4)] (3) Etchandy family members State College, LLC (Evelyn Roper) Adam Family Trust Orcutt Fee, LLC Marianne Field C.M.T. LLC Manfred Sander E & B Natural Resources Grundoon, LLC (Firestone)	Amount	Timing				
		\$ 14,956	Due on the 1st of each month				
		\$ 41,878	Due on the 1st of the month. This amount includes \$27k for unpaid surface lease payments from prior post-petition budgets.				
		\$ 7,500	Due on the 1st of each month				
		\$ -	Lease to be rejected; no amount due				
		\$ -	\$1,585.33 due on an annual basis - has been paid for 2019.				
		\$ -	No amount due				
		\$ -	\$5,000 due on Annual - paid for 2019				
		\$ -	\$3,700 due on Annual - paid for 2019				
		\$ -	\$100 will be due in January 2020.				
		\$ 6,800	Due before the end of October-2019				
		\$ -	Under review, no amount currently due				
		\$ 7,500	Due on the 1st of each month				

HVI CAT CANYON INC.		Forecast Week 14 28-Oct-19	Forecast Week 15 4-Nov-19	Forecast Week 16 11-Nov-19	Forecast Week 17 18-Nov-19	Forecast Week 18 25-Nov-19	TOTAL
Notes	Weeks 14-18 budget week starting						
	Morganti Ranch	\$ -	\$5,500 on amortizable basis but lease is currently shut-in so no amount due.				
	Morganti Ranch	\$ -	Under review, no amount currently due				
	Morganti Ranch	\$ -	Under review, no amount currently due				
	Railroad	\$ -	\$454 due in December 2019				
	(4) Righetti family members	\$ -	\$3,000 per quarter, next payment due in December 2020				
	(3) Judy A. Rogers, Ronald H. Souza, Jr., Michael J. Souza	\$ -	\$750 due in January 2020				
	Roland and Sandy Miller	\$ -	\$300 due in December 2019				
	Multiple Bradley Lands	\$ -	No amount due in October or November 2019				
	Total amount due in week 14	\$ 75,634					
	HVI pays the following 3 consultants on a biweekly basis:						
	Name and Description:	Amount:					
	i) William LaFleur - Landman	\$ 3,000					
	ii) Innovative Consulting Solutions - production accountant for royalty calculations	\$ 1,923					
	iii) Alliance-Hydro - Geologist	\$ 4,085					
	Total Amount due to Consultants	\$ 9,008					
	Amounts include HVI's office line at their East Clark office and cell phones for all field employees.						
	Per adequate assurance order, \$30k deposit due in Week 15 and \$170k due in Week 17 (prior to the 20th).						
	Amount due for prior month's power usage.						
	Chemicals used for H2S removal that are critical to production - currently on COD terms with chemicals vendor.						
	Pump maintenance and rework costs that are critical to production.						
	HVI makes daily gasoline purchases for the tankers used to haul oil and gas production with a weekly run rate of approximately \$12,500. Week 15 assumes weekly run rate and payment of approximately \$12.5k of overdue invoices.						
	Amount due to affiliate GTL1 for transportation costs for hauling crude and LCR, vehicle leasing and insurance costs and demurrage charges. GTL1 pays drivers \$17.50/hr. for demurrage but charges HVI \$80/hr.						
	Amount due to affiliate GTL1 for vacuum trucks, HVI pays \$80/hr., has a monthly run rate between 600-700 hours, and week 17 assumes a 700 hour month.						
	Per Ernesto Olivares, as of 10/27/19, HVI has received 7,476 BBLs of Light Crude ("LCR") deliveries priced at \$76.50 per BBL. Approximately 100 additional BBLs are estimated to be delivered before month's end.						
	The weekly run rate for electricians is approximately \$5k and week 15 assumes payment of approximately \$5k of overdue invoices.						
	The weekly run rate for welders is approximately \$2.5k and week 15 assumes payment of approximately \$2.5k of overdue invoices.						

Notes	HVI CAT CANYON INC. weeks 14-18 budget week starting	Forecast Week 14 28-Oct-19	Forecast Week 15 4-Nov-19	Forecast Week 16 11-Nov-19	Forecast Week 17 18-Nov-19	Forecast Week 18 25-Nov-19	TOTAL
22	Assumes a weekly run rate of \$1.5k with an additional approximately \$1k of overdue invoices to be paid in week 15.						
23	Assumes a weekly run rate of \$8k.						
24	Assumes a weekly run rate of \$1.5k for H2S fluid and week 15 assumes payment of \$1.5k of invoices due in week 14.						
25	Assumes \$8k bi-weekly run rate for the maintenance costs for all oil field service vehicles, including rigs. Week 15 assumes payment of an overdue invoice for approximately \$8k for rig maintenance.						
26	Weekly run rate for critical safety and fire protection for HVI's 700+ wells and reduction of Notice of Violation (NOV) fines. Currently understaffed in this area and run rate assumes increasing team size from 1 to approximately 2 five man teams.						
27	Per Alex D, up to date on well inspections through week 14 so run rate assumes bi-weekly maintenance needed in November 2019.						
28	Weekly run rate for 3rd party consultants for critical compliance requirements such as SPC ("Spill Prevention and Countermeasure") plans and APCD ("Air Pollution and Control District") plans that need to be submitted before year-end to mitigate future fines and penalties from regulatory bodies.						
29	Related to administrative invoicing for APCD post-petition inspections related to 35 permits necessary to mitigate potential fines and penalties.						
30	Passed due post-petition Permit to Operate ("PTO") fees from the APCD for the following 19 HVI leases, excluding 3 lease quitclaimed to an insider. Subject to revision if additional permit fees for quitclaimed leases to insiders are identified:						
	Facility	Fee					
	Armelin Lease PTO No. 07775 - R8	\$ 7,895					
	Battles Lease PTO No. 08219 - R11	\$ 7,923					
	Bradley Lands/Bradley Consolidated Lease PTO No. 070	\$ 41,123					
	Continental Lease PTO No. 08222 - R11	\$ 5,425					
	Cross Development Lease PTO No. 08863 - R9	\$ 458					
	East Valley Farms Lease PTO No. 08864 - R9	\$ 458					
	Fullerton Lease PTO No. 08868 - R13	\$ 7,551					
	Jim Hopkins Lease PTO No. 09330 - R8	\$ 13,796					
	Lakeview Gas Plant PTO No. 10108 - R8	\$ 38,032					
	Lakeview Lease PTO No. 10096 - R8	\$ 7,985					
	Los Flores PTO No. 07307 - R12	\$ 16,074					
	McKenzie Lease PTO No. 10079 - R8	\$ 458					
	Olean Lease PTO No. 10080 - R8	\$ 458					
	Total due for APCD Permits to Operate	\$ 146,436					
	Excluded PTO fee due to a quitclaimed lease to an insider.						



Notes	HVI CAT CANYON INC. Weeks 14-18 budget week starting	Forecast					TOTAL
		Forecast Week 14 28-Oct-19	Forecast Week 15 4-Nov-19	Forecast Week 16 11-Nov-19	Forecast Week 17 18-Nov-19	Forecast Week 18 25-Nov-19	
31	<p>Golco Lease PTO No. 10078 - R8</p> <p>Amount is based upon the following County of Santa Barbara Planning and Development post-petition facility and lease inspection fees. Subject to revision if additional permit fees for quitclaimed leases to insiders are identified:</p> <p>Account Number/Permit ID Number:</p> <p>Permit ID # 19ACB-00000-00914 for 500 post-petition un-inspected facilities</p>	\$ 4,579					
		Amount:					
		\$ 110,452					
		\$ 210					
		\$ 6,560					
		\$ 10					
		\$ 350					
		\$ 6,280					
		\$ 12,640					
		\$ 9,032					
		\$ 108					
		\$ 10					
		\$ 10					
		\$ 168					
		\$ 108					
		\$ 262					
		\$ 420					
		\$ 210					
		\$ 210					
		\$ 220					
		\$ 12,640					
		\$ 159,843					
32	<p>Total due to P&amp;D for inspection fees</p> <p>Amount is based upon the following Santa Barbara County Fire Department Post-Petition California Fire Code Inspection Permit Fees. Subject to revision if permits for additional quitclaimed leases to insiders are identified:</p>						
		Amount:					
	Site Name	\$ 1,370					
	Battles	\$ 1,370					
	Blochman	\$ 1,370					
	Bell Gas Compressor	\$ 1,370					
	Bell Lease	\$ 1,370					
	Casmalia/Motgani	\$ 1,370					

Notes	HWE CAT CANYON INC. weeks 14-18 budget week starting	Forecast Week 14 28-Oct-19	Forecast Week 15 4-Nov-19	Forecast Week 16 11-Nov-19	Forecast Week 17 18-Nov-19	Forecast Week 18 25-Nov-19	TOTAL
	Chamberlin B	\$ 1,378					
	Chamberlin	\$ 1,378					
	Davis B	\$ 1,378					
	Davis	\$ 1,378					
	Fullerton-Lease	\$ 1,378					
	Jim Hopkins	\$ 1,378					
	Los Flores	\$ 1,378					
	Total due for Fire Department CFC Permits	\$ 16,440					
33	Per Docket #308, Declaration of James Ray, California Unified Program Agency Supervisor for the Santa Barbara County Environmental Health Services ("EHS"), amounts due for the following Santa Barbara Post-petition Environmental Health Services Permit Fees - originally forecast to be distributed in week 2:						
	Permit ID:	Permit Fee for 2020:					
	FA0010063	\$ 1,857					
	FA0010325	\$ 555					
	FA0010326	\$ 555					
	FA0011176	\$ 555					
	FA0011177	\$ 555					
	FA0012015	\$ 555					
	FA0012328	\$ 555					
	FA0012329	\$ 555					
	FA0012350	\$ 555					
	FA0012495	\$ 555					
	FA0013065	\$ 555					
	FA0013112	\$ 555					
	FA0013113	\$ 555					
	FA0013114	\$ 555					
	FA0013136	\$ 555					
	FA0015899	\$ 848					
	Total amount due for EHS permits	\$ 10,475					
34	Rent due on NW East Clarke Office - not approved under Interim Cash Collateral Order						
35	Chapter 11 Trustee negotiated a progress payment plan with Netherland & Sewell for a 2019 Reserve Report. The \$160,542 of total fee can be paid on weekly basis for \$25k a week once they start work.						

	HVI CAT CANYON INC.	Forecast Week 14 28-Oct-19	Forecast Week 15 4-Nov-19	Forecast Week 16 11-Nov-19	Forecast Week 17 18-Nov-19	Forecast Week 18 25-Nov-19	TOTAL
Notes	weeks 14-18 budget week starting						
36	Per Ernesto Olivares, a total of \$18k for worker's comp insurance to be paid in weeks 15 and 16 and \$19k to review \$1MM bond due in week 17.						
37	Chapter 11 Trustee professionals agree to a 20% deferral of professional fees incurred during this 5-week period, assuming the bank agrees to carve out the remaining 20%. Per Professional Fee Budget, weekly payments for Chapter 11 Trustee, Counsel and Financial Advisor will be put in escrow during this 5-week budget. Payments to professionals to be made only after employment applications are approved and payments authorized.						
38	Per Professional Fee Budget, Unsecured Creditors Committee Counsel has a forecasted \$25k monthly run rate and payments will be put in escrow during this 5-week budget.						
39	Per Professional Fees budget, US Trustee payment for Q3 2019 forecasted for week 15 based upon 1% of debtors disbursements in Q3 2019 of approximately \$2.5M per August and September Monthly Operating Reports ("MOR").						
40	Per Ernesto Olivares on 10/30/2019, affiliate GFI's October 2019 invoice for back office and administrative services will be approximately \$356k. GFI allocates expenses among the affiliated entities based upon headcount of each respective entity. Per Cost and Sale Summary schedule, GFI's allocation and the Legal Fee summary schedule details of the pre-petition invoices offset against revenue due to HVI in Week 13.						
41	Per the draft 13-week Health and Safety Budget to be presented in 2-weeks.						
42	The amounts reflected here reflect the first 4-weeks of the draft 13-week total SMV Health and Safety Budget. Over the full 13-week period forecasted expenses are approximately \$275k but should reduce compliance violation fines and environmental risks.						
43	The amounts reflected here reflect the first 4-weeks of the draft 13-week total Belridge Health and Safety Budget. Over the full 13-week period forecasted expenses are approximately \$66k but should reduce compliance violation fines, environmental risks and, by reducing these liabilities, potentially make the field more attractive to prospective buyers.						
44	The amounts reflected here reflect the first 4-weeks of the draft 13-week total Redd Health and Safety Budget. Over the full 13-week period forecasted expenses are approximately \$337k but should reduce compliance violation fines, environmental risks, and, by reducing these liabilities, potentially make the field more attractive to prospective buyers.						
45	Total Cash Outflows for Operating, General and Administrative, and Health and Safety Expenses but not including royalties.						
46	Estimated Funding required for the 5-week period ending week 18, excluding interest, is approximately \$2M. Interest to be added to the 13-week budget to be presented in 2-weeks.						

# HVI CAT CANYON INC.

## Professional Fee Budget

Week ending

### Professional Fees - Ruth Roth

Chapter 11 Trustee Fees

Ch. 11 Trustee Counsel

CRO and Financial Advisors

UCC course

US Trustee

Total

### Professional Fees - Payment

Chapter 11 Trustee Fees

Ch. 11 Trustee Counsel

CRO and Financial Advisor

UCC course

US Trustee

Total

Ch. 11 Trustee

Michael McConnell

### CRO and Financial Advisors

Tim Skillman

James Baring

Greg Barapetto

Grand Total

Expenses

Hotel

Food

Mileage

Airfare

Total

### US Trustee Fee Schedule

TOTAL QUARTERLY DISBURSEMENTS

20% fee on assets

paid monthly; 20% holdback

Normal hourly rates reduced by 20%

paid monthly; 20% holdback

\$25K per month

1% of disbursements; paid quarterly

Total

20% fee on assets

paid monthly; 20% holdback

Normal hourly rates reduced by 20%

TOTAL

115,000

192,000

347,430

25,000

25,000

714,430

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**PROOF OF SERVICE OF DOCUMENT**

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is 1901 Avenue of the Stars, Suite 450, Los Angeles, CA 90067-6006.

A true and correct copy of the foregoing document entitled (*specify*): **MOTION OF CHAPTER 11 TRUSTEE FOR ORDER (1) ESTABLISHING PROCEDURES FOR THE PAYMENT OF INTERIM COMPENSATION AND REIMBURSEMENT OF EXPENSES (11 U.S.C. §§ 105(a) and 331), AND AUTHORIZING PAYMENT ON A MONTHLY BASIS (11 U.S.C. § 328); AND MEMORANDUM OF POINTS AND AUTHORITIES AND DECLARATION OF MICHAEL A. MCCONNELL** will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner stated below:

**1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):** Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On November 14, 2019, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

☒ Service information continued on attached page.

**2. SERVED BY UNITED STATES MAIL:** On November 14, 2019, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Debtor  
HVI Cat Canyon, Inc.  
630 Fifth Avenue  
Suite 2410  
New York, NY 10111

☐ Service information continued on attached page.

**3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL** (*state method for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on November 14, 2019, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

Served by Personal Delivery to be delivered by November <sup>15</sup>, 2019

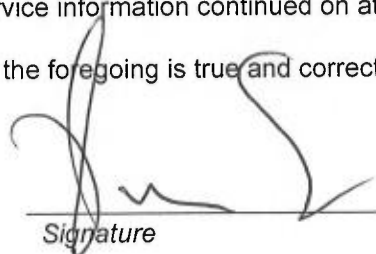
The Honorable Martin R. Bash  
U.S. Bankruptcy Court  
21041 Burbank Boulevard, Bin on 1<sup>st</sup> Floor outside entry to Intake Section  
Woodland Hills, CA 91367

☐ Service information continued on attached page.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

November 14, 2019  
Date

Vivian Servin  
Printed Name

  
Signature

**ADDITIONAL SERVICE INFORMATION (if needed):**

**1. SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF")**

- William C Beall will@beallandburkhardt.com, carissa@beallandburkhardt.com
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- Fred Whitaker lshertzer@cwlawyers.com
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- Emily Young pacerteam@gardencitygroup.com, rjacobs@ecf.epiqsystems.com;ECFInbox@epiqsystems.com

**2. SERVED BY UNITED STATES MAIL:**

**20 LARGEST CREDITORS**

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Collector  
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Santa Barbara, CA 93102

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865 South Figueroa Street  
Suite 800  
Los Angeles, CA 90017-2543

Diamond McCarthy LLP  
909 Fannin Street  
37th Floor Two Houston Center  
Houston, Texas 77010

Santa Barbara County-APCD  
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SANTA BARBARA, CA 93110

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PG&E  
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San Francisco, CA 94177

Ann Jenny Schupp  
CIO M H Whittier Corp.  
1600 Huntington Drive  
South Pasadena, CA 91030

William W. Jenny Jr.  
5101 East Camino Alisa  
Tucson, AZ 85718

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